

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Permanent Addition of USPS Connect
Local Mail Price Category to the Market
Dominant Product List

Docket No. MC2023-12

CHAIRMAN'S INFORMATION REQUEST NO. 1
AND NOTICE OF FILING UNDER SEAL

(Issued November 28, 2022)

To clarify the basis of the United States Postal Service Revised Request to Convert USPS Connect Local Mail to a Permanent Offering, filed November 9, 2022,¹ the Postal Service is requested to provide written responses to the following questions. Answers should be provided to the individual questions as soon as they are developed, but no later than December 5, 2022.

1. In Docket No. MT2022-1, the Postal Service stated that “[a]ttributable costs for USPS Connect Local Mail are estimated at \$2.03 per piece.”² In the Revised Request, the Postal Service indicated that though it assessed the attributable cost for USPS Connect Local Mail at \$2.02 per piece “from Q2 and Q3,” it assessed the per piece cost from Q4 at \$2.08. See Revised Request at 6 n.5. The Postal Service indicated that USPS Connect Local Mail will have “an estimated attributable cost of \$2.08 per piece.” Revised Request, Attachment D at 3.

¹ United States Postal Service Revised Request to Convert USPS Connect Local Mail to a Permanent Offering, November 9, 2022 (Revised Request).

² United States Postal Service Notice of Market Test of Experimental Product – USPS Connect Local Mail, November 10, 2021, at 2 (Docket No. MT2022-1 Notice).

- a. Please provide the model and calculations used to develop the estimated cost per piece of \$2.08 for USPS Connect Local Mail that is indicated in the Revised Request. In doing so, please explain any assumptions made in developing this estimated cost. Please also specify what caused the estimation of attributable cost to increase.
 - b. Please refer to the “Envelope Purchases” category in Table 1 on page 6 of the Revised Request. See Revised Request at 6.
 - i. Please provide the calculations and data sources underlying the report that the “Individual Costs” of “Envelope Purchases” are \$0.14 and that the “# of Items” of “Envelope Purchases” are 2,250,000.
 - ii. Please confirm that these envelopes are particular to USPS Connect Local Mail and are not used by any other Postal Service offering. If not confirmed, please explain.
 - iii. Please confirm that envelope purchases are a unit cost. If confirmed, please describe in detail the impact of envelope purchases on the estimated cost per piece calculations of \$2.08. Please also specify whether, in its calculations, the Postal Service categorizes envelope purchases as a “packaging” cost or another type of cost. If not confirmed, please explain.
2. The Postal Service reports that 373 pieces of USPS Connect Local Mail were sold during the first two quarters of the market test. See Revised Request, Attachment B. Please explain why the Postal Service’s calculation of the total cost of envelope purchases during the first two quarters of the USPS Connect Local Mail market test used 2,250,000 (reported as the “# of Items”) rather than using the actual number of pieces sold during that timeframe. See Revised Request at 6.

3. The Postal Service states that it “projects that USPS Connect™ Local Mail could raise as much as \$8.5 million per year in revenue by Fiscal Year 2026, leading to a contribution of over \$2 million.” Revised Request, Attachment D at 3. The Postal Service explains that it “arrived at this estimate by modelling USPS Connect™ Local Mail growth trends after the sales volume displayed by USPS Connect™ Local packages during that offering’s introductory months and Every Door Direct Mail (EDDM) during its initial 3 years.” *Id.*, n.5.
 - a. Please provide the calculations, data sources, assumptions, and model underlying the projection that USPS Connect Local Mail could raise as much as \$8.5 million per year in revenue by Fiscal Year 2026.
 - b. Please describe in detail the rationale behind using EDDM’s growth to estimate the growth projection for USPS Connect Local Mail. In the response, please detail the similarities and differences between the two offerings, including but not limited to features and the market for each offering. In the response, compare and contrast the types of customers (*e.g.*, industry, business size) using each offering.
 - c. Please describe in detail the rationale behind using USPS Connect Local packages growth to estimate the growth projection for USPS Connect Local Mail. In the response, please detail the similarities and differences between the two offerings, including but not limited to features and the market for each offering. In the response, compare and contrast the types of customers (*e.g.*, industry, business size) using each offering.
4. Please refer to the quarterly reports of USPS Connect Local Mail revenue and volume for USPS Connect Local Mail. Revised Request, Attachment B. Please provide the revenue and volume for USPS Connect Local Mail by state for each quarter.

5. Please confirm that Click-N-Ship remains the only method for customers to access USPS Connect Local Mail. If not confirmed, please explain. See Revised Request at 2.
6. Please identify how many unique Click-N-Ship customers utilized USPS Connect Local Mail and describe in detail whether the number of unique Click-N-Ship customers that utilized USPS Connect Local Mail increased as time went on in each quarter. Please provide quantitative support for this description and identify the metric(s) used. If quantitative support is unavailable, please so state, explain why it is unavailable, and provide qualitative analysis in support of the description.
7. The Postal Service states that its explanation of the views of USPS Connect Local Mail users is “based upon Postal Service sales staff questionnaires and requests for feedback that have been gathered from USPS Connect™ Local Mail market test participants.” Revised Request, Attachment D at 9, n.7.
 - a. Please describe in detail the method used by the Postal Service to determine which customers would be targeted for questionnaires and feedback and specify the total number of customers that were targeted. In the response, please disaggregate the number of customers by type (e.g., physicians, financial institutions, etc.).
 - b. Please specify the total number of customers that ultimately provided their views on USPS Connect Local Mail. In the response, please disaggregate the number of customers by type (e.g., physicians, financial institutions, etc.).
 - c. Please provide the questionnaires and requests for feedback that were issued by the Postal Service and provide the underlying data received from users in response to these items.

8. Please see Attachment, filed under seal.

By the Chairman.

Michael Kubayanda